YUKON ENERGY CORPORATION

Micromedia Ltd.
158 Pearl Street
Toronto, ON
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REPORT FOR THE YEAR ENDED December 31, 1989

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91-01283/

The Honourable Tony Penikett
Minister, Yukon Development Corporation
Government of the Yukon
Whitehorse, Yukon
Y1A 2C6

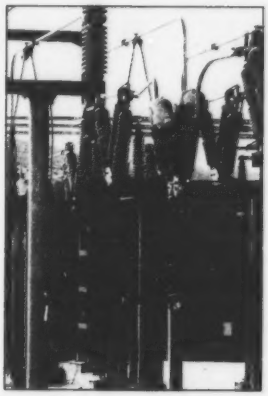
Dear Sir,

I am pleased to submit to you the Annual Report of the Yukon Energy Corporation, which details the financial position of the corporation and provides discussion and analysis of issues for 1989 and beyond.

On behalf of the Board,

Dave Joe,
Chairperson,
Board of Directors

Corporate Profile



Yukon Energy Corporation facilities, in communities from Faro to Haines Junction, provide 94 percent of the Yukon's power.

The Yukon Energy Corporation (YEC) is a wholly owned subsidiary of the Yukon Development Corporation, which is, in turn, a Crown corporation of the territorial government. YEC generates and transmits electricity to meet the needs of Yukoners. It came into existence on April 1, 1987, when the territory assumed ownership of generation and transmission assets that had previously been the property of Northern Canada Power Commission. YEC is accountable to the people of the Yukon through its Board of Directors. The Board is made up of individuals who are appointed by the Executive Council of the territorial government. The Board is responsible, through the Minister, to the Legislature.

The Board of Directors ensures that YEC operates as a profitable and responsible enterprise, whose earnings can be used to secure capital for necessary expansion.

Day-to-day management of the Corporation's assets is carried out under contract by The Yukon Electrical Company Limited (YECL); however, the people of the Yukon retain ownership and responsibility for broad policy direction. Specific objectives of the Yukon Energy Corporation are:

- to provide Yukoners with reliable and sufficient supplies of power and energy, both now and in the future;
- to provide that power and energy as efficiently and economically as possible;
- to promote economy and efficiency in the use of electricity;
- to function as a fiscally responsible commercial entity.

The electricity generated and transmitted by YEC facilities provides 94 percent of the territory's power. The remaining six percent is supplied by YECL facilities such as those in Watson Lake and Old Crow. In addition, YEC has facilities for distributing electricity directly to approximately 15 percent of its retail customers. There are approximately 1500 of these customers, located in Mayo, Dawson and Faro. Some isolated customers are also served directly from the transmission lines.

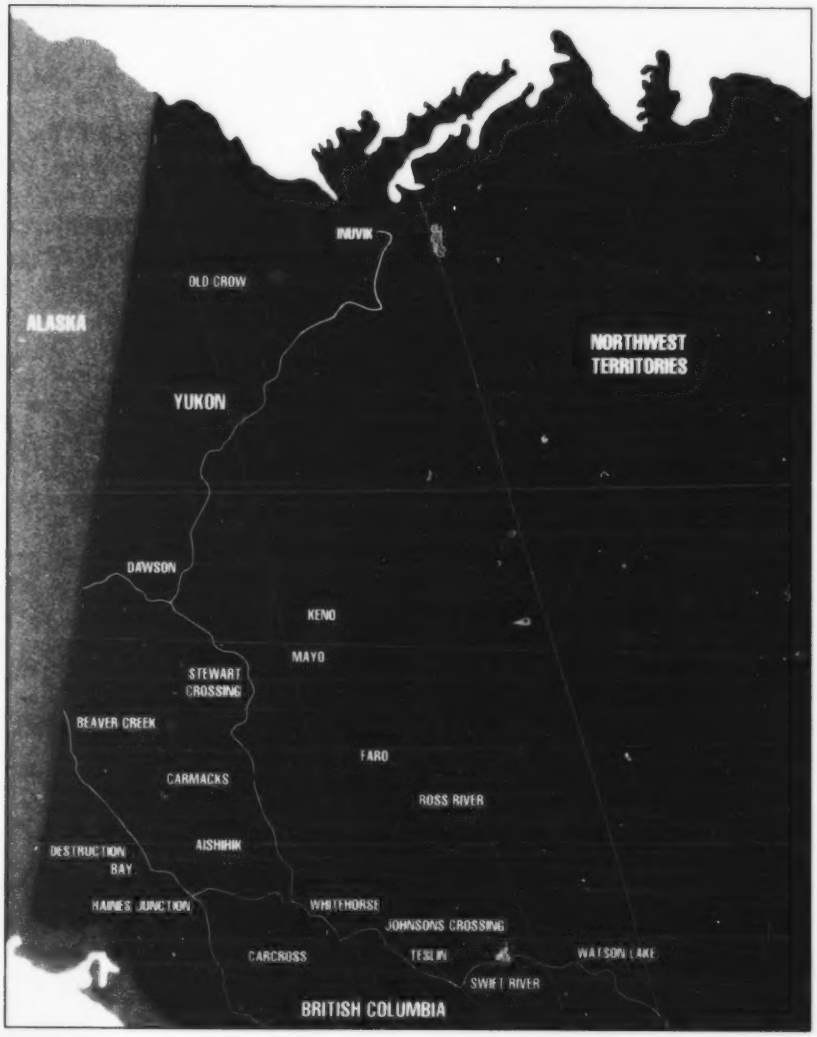
Map of Installations

Major assets are those that produce and transmit power in bulk, including:

- **Hydro-electric generating stations at**
  - **Aishihik (2 units, 31 MW)**
  - **Whitehorse (4 units, 40 MW)**
  - **Mayo (2 units, 5 MW)**

- **Diesel electric generators at**
  - **Whitehorse (8 units, 22 MW)**
  - **Faro (4 units, 8 MW)**
  - **Mayo (2 units, 1 MW)**
  - **Dawson (5 units, 3 MW)**

- **High voltage transmission lines connecting generation plants and load centres, including 497 kilometres at 138 kV; 65 kilometres at 88 kV plus low-voltage distribution and transmission lines.**



LEGEND

Generating Stations

Diesel ▲

Hydro ●

YEC ■

YECL ■

Report to Shareholders

The Yukon Energy Corporation sold 384 gigawatt hours of electricity during the year.

This has been a landmark year for the Yukon Energy Corporation. For the first time, we developed and submitted a general rate application for approval by the Yukon Utilities Board. This was the final step in placing YEC entirely in the control of Yukoners.

YEC also initiated a strategic planning process in mid-year. The purpose of this process is to identify resources, constraints and goals, as well as ways to meet those goals. Every aspect of the utility's operation is being examined. The direction given by the Board of Directors and the Minister responsible for the Corporation will result in the formation of a draft strategic plan. The public will be invited to comment on the plan, which should be completed by November. From the information gathered, we will develop a corporate plan of realistic goals and policy direction that will guide us in our development over the next five years and lay the foundation for operations into the next century.

We are entering a decade of heightened environmental awareness and recognition of the global imperative that development must be sustainable. Electrical utilities can respond to these concerns; hydro-electric power is one of the cleanest forms of energy and is an entirely renewable resource.

Other areas of Canada have had to develop electric power systems that are based on coal-burning thermal plants or nuclear generating stations. Yukoners are fortunate that the territory has a number of sites with the potential for hydro-electric development. If this potential is to be realized, however, YEC must make a substantial investment of time and resources Continued supply can be assured only by careful planning of system replacements and additions. Board members and officials of YEC have increased their planning efforts during the past year, as the time approaches for a decision on additional generating capacity.

In the short term, providing for a continuing supply of electricity requires both careful attention to regular maintenance and being prepared for interruptions in service, which are inevitable though unpredictable.

Fundamentally, all corporate activities are directed at maintaining and improving the quality of service. We believe that the Yukon Energy Corporation can best serve the needs of the territory by ensuring that we are in tune with Yukoners and their expectations. We care about providing good energy value, we care about the environment and we care about consulting with the public in planning for the future.

On the strength of our achievements in 1989, we face the new year with confidence. We look forward to active support for our goals.

We would like to express our wholehearted thanks to all our staff for their efforts in 1989. Their solidarity and professionalism have been invaluable.

Chairperson

President

Management Report

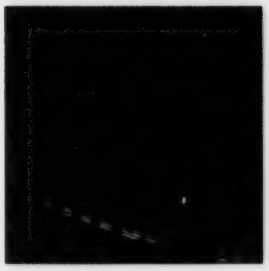
The accompanying financial statements of the Yukon Energy Corporation are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. The significant accounting policies are described in the Summary of Significant Accounting Policies. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to December 31, 1989. The information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis.

The operating division, managed by CU/YECL, is audited separately by Price Waterhouse, Chartered Accountants, of Edmonton, Alberta. Price Waterhouse reports to the Yukon Energy Corporation's Board of Directors and meets with the Audit Committee. The Auditor General utilizes the work of Price Waterhouse in forming his opinion.

The financial statements have been examined by the Auditor General of Canada to ensure that the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on page 12, outlines the scope of his examination and opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The auditors have direct and full access to the Audit Committee.



Reconstruction of the Mayo Lake dam was completed during 1989, on time and under budget.

President

Chief Financial Officer

Operational Review

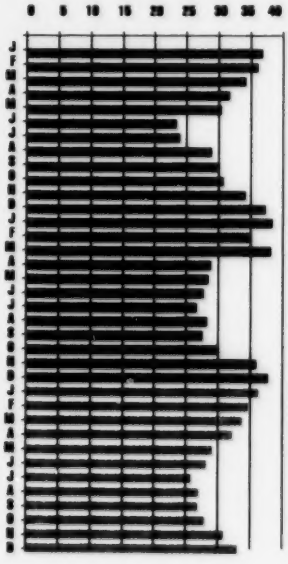
ELECTRICITY GENERATION: HYDRO VS DIESEL

hydro
diesel

MONTHLY SALES: ACTUAL AND FORECAST

1988
1989
1990

In gigawatt hours



During 1989, the Yukon Energy Corporation sold 384 gigawatt hours (GWh) of electricity. One GWh is equal to 1000 megawatt hours or 1,000,000 kilowatt hours (kWh).

The terms kilowatt, megawatt and gigawatt all refer to the capacity of equipment, like the horsepower rating of a car engine. Chart 2 (below) shows the capacity of YEC equipment in megawatts, one megawatt being equal to 1000 kilowatts.

Kilowatt, megawatt and gigawatt hours indicate the amount of energy actually produced; for example, 1000 kilowatts of output for one hour yields 1000 kilowatt hours.

Monthly energy sales are summarized in Chart 3 (left, below). Because of loss during transmission and other factors, the amount of electricity sold is less than the amount generated.

In the last year YEC generated 94 percent of the electricity produced in the territory. Of this total production, YEC sold 194 GWh to the Yukon Electrical Company Limited (YECL) for distribution to their residential and commercial customers. Yukon Energy Corporation also directly provided 166 GWh to industrial customers such as Curragh Resources.

Yukon Energy Corporation generated most of its electricity on the main grid (Whitehorse-Aishihik-Faro) with hydro, and eight GWh — less than two percent — by diesel. The total amount of diesel generation, including Dawson, was 18 GWh, or less than four percent of the total. We are still receiving the benefits of the wet 1988 summer, which fully filled the big Aishihik reservoir. When the supply of stored water is exhausted, the diesel generation on the main grid will have to increase to about eight percent of the total requirement, based on current consumption levels. For this reason additional supply options are being considered.

INSTALLED CAPACITY, in megawatts

	1987	1988	1989
Hydro	76	76	76
Diesel	31	31	34
Total	107	107	110

Financial Review

The Corporation continues to enjoy a healthy financial position and operating results.

In 1989 the Corporation experienced a reduction in both net income and revenue. These declines were a direct result of reduced rates that came into effect on April 1, 1989.

Revenue declined nearly 16 percent, from $22,193,000 to $18,675,000. Net income declined 42 percent, from $9,595,000 to $5,503,000. These decreases occurred due to the removal of the rate freeze, which was imposed when the Corporation bought the assets of the Northern Canada Power Commission. YEC also paid out subsidies of $482,000 to consumers during the year.

Fixed assets with a total cost of $6,461,000 were added during the year. Assets as of December 31, 1989 were as follows:

Hydro-electric and diesel plant	$ 90,203,000
Transmission	7,102,000
Distribution	2,798,000
Building and office equipment	1,814,000
Land	86,000
Work in progress	366,000
Total	**$ 102,369,000**

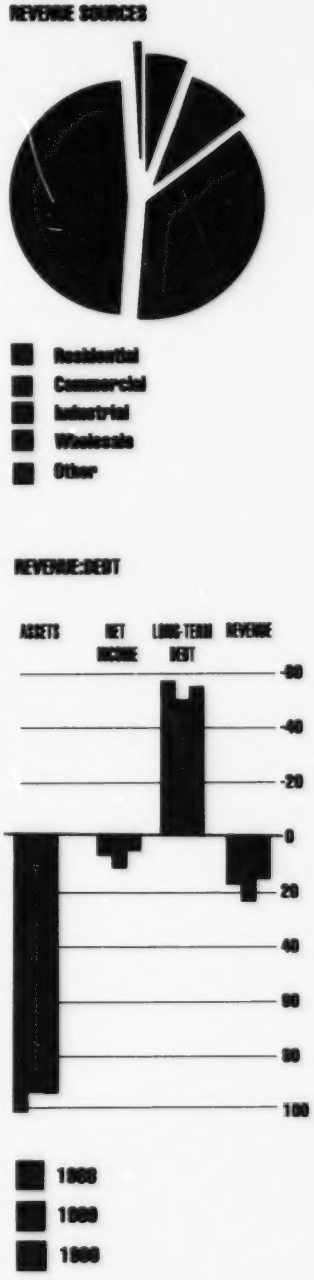
Depreciation of $5,620,000 has been charged against these fixed assets.

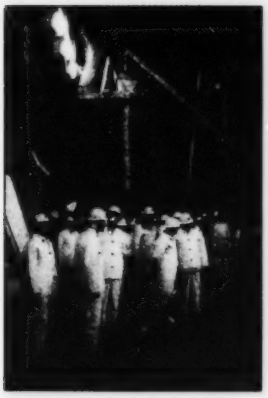
The Corporation is financed as follows:

Debt to Canada	$ 52,450,000
Debt to Yukon Development Corporation	5,500,000
Shareholder's Equity	41,871,000
Total	**$ 99,821,000**

The sale of electricity increased one percent from the 1988 level and was over the budgeted amounts. Residential, wholesale and commercial sales were more than anticipated, while industrial sales were less than anticipated.

Peak sales continue to occur in the coldest months of the year, with the highest levels of consumption occurring on the coldest days. This indicates that the use of electric heat is contributing to our increased capacity requirements.





Underground at the Aishihik power plant, one of Yukon Energy Corporation's hydro-electric facilities.

Rates

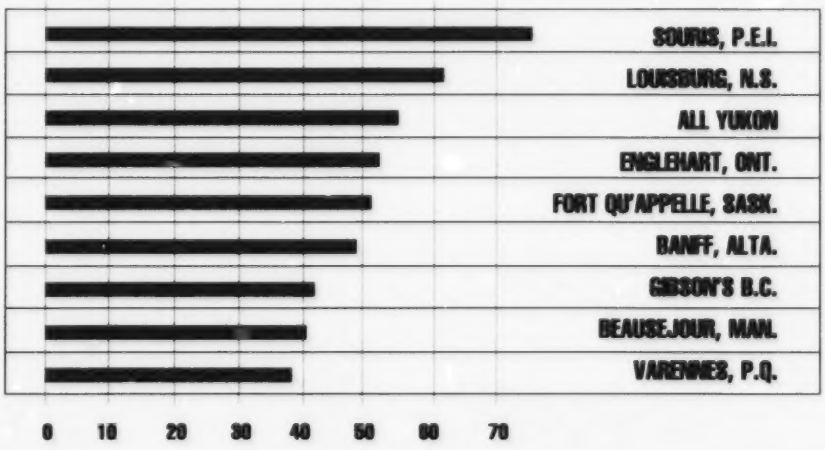
The Corporation submitted its first rate application to the Yukon Public Utilities Board (YUB) in December of 1988 and new rates were implemented on an interim basis on April 1, 1989. Following the 1989 YUB hearings new rates were to take effect on April 1, 1990.

There were a number of achievements in YEC's first appearance before the YUB:

- Rate equalization was implemented. All non-government residential and general service customers now pay the same amount for basic electricity. This equalization applies to the first 1000 kWh per month for residential customers and the first 2000 kWh per month for general service customers.
- Since all electrical utilities in the territory are now under the jurisdiction of the YUB, there are now standardized regulations governing the way service is provided.
- Residential consumers now receive a rebate on their bills of approximately four percent. This represents a rebate of 100 percent of the territorial tax and 95 percent of the federal tax paid by The Yukon Electrical Company Limited. These rebates came into effect on April 1, 1989; during the year rebates to residential consumers totalled $525,000.

Rates in the territory have been held at levels that are comparable to other utilities in Canada, recognizing that the costs of our system are higher due to factors such as climate and geography.

COMPARISON OF RESIDENTIAL BILLS ACROSS CANADA: In dollars



Amounts reflect the monthly cost of 750 kWh of electricity. Effective dates vary.

YEC and the Environment

MAYO FISHERY

According to environmental studies by Howard Paish & Associates, which were underwritten by YEC, Mayo River is now primarily a grayling, pike and whitefish producer. Grayling stocks provide good sport fishing in the spring. The highest numbers are concentrated in the upper reaches between Duncan Creek and the Mayo Lake Dam, with the best access by means of the Mayo Lake Road.

Lake trout prefer to spawn in the shallows at lake outlets, where gravel shoals and outflow current provide good conditions for egg incubation. Fisheries and Oceans Canada confirmed to Yukon Energy Corporation officials that one area of the rebuilt storage dam could approximate these conditions, so YEC took steps to provide suitable spawning habitat.

Upstream of the dam, a dozen channels were excavated in the silty gravel of the lake bottom. They extend 30 metres from the south bank into the lake and are perpendicular to the flow. Each channel is two metres wide and 60 centimetres deep.

FISH LADDER

YEC will be improving the fish viewing facilities at the Whitehorse Rapids fish ladder. A new facility should be operational for the salmon runs in the summer of 1990. The public information booth located next to the fish ladder will continue to be staffed by the Yukon Fish and Game Association and the federal department of Fisheries and Oceans.

HAZARDOUS WASTES

YEC had requested that its management company, YECL, replace all equipment containing PCBs, and there are virtually none in use throughout the system. An agreement is being negotiated with qualified professionals to decontaminate and reclaim oils and equipment previously contaminated by PCBs.

A storage facility at the Whitehorse Rapids is approved by Environment Canada and meets all regulatory and safety requirements.

The Yukon Energy Corporation's work in Mayo Lake will help to maintain stocks of lake trout.

ABOVE: The Wareham Dam and Spillway near Mayo was constructed in the early 1950s.
BELOW RIGHT: Reconstruction work on the Mayo Lake dam was completed in 1989.

AISHIHIK

Until very recently, large sheets of plastic served as a makeshift intervening layer between the rock walls of the Aishihik power plant's access shaft and its structural steel construction. Not only were these sheets an inadequate and temporary solution to water seepage, they also constituted a real safety hazard.

Late in the year, YEC completed work at the Aishihik plant to reduce the corrosion of the structural steel and remove the need for stopgap solutions. Metal sheathing will be installed between the rock walls of the shaft and the structural steel construction. Work will be completed early in 1990 and will ensure that the structural integrity of the shaft is maintained for many years.

The Canyon Lake spillway carries large volumes of water from Canyon Lake into Canyon River during spells of heavy runoff. Engineers identified the potential for erosion as a result of this and took action to improve the situation. As well as completing corrective work, YEC continues to monitor the installation to ensure that such problems are identified and dealt with in the early stages.

DAWSON

A new fuel-efficient 750 kilowatt diesel generator was installed to replace an aging 500 kilowatt unit. The new machinery increased the capacity and efficiency of the plant.

By upgrading in this way, YEC expects to save substantially on diesel fuel and achieve a small reduction in diesel emissions.

Service lines are being extended to new subdivisions as Dawson continues to grow.

FARO

The major work in Faro consisted of installating three new skid-mounted, one-megawatt diesel units late in the year. The units will serve the system during peak loads and will also be readily transportable to other communities in the event of emergencies. The cost of acquiring these three units was approximately $1 million.

MAYO

Facilities in the Mayo area received the largest portion of the capital budget. Reconstruction of the Mayo Lake dam was completed in the fall — on time and under budget — at a final cost of $4.8 million. The work included:

- rebuilding both ends, or abutments, of the dam;
- rebuilding the top portion of the overflow/spillway structure;
- construction of a completely new valve house.

The new valve house is made mostly of concrete, rather than wood, and con-

tains the controls for three valves, each one and a half metres in diameter, which regulate the discharge from Mayo Lake.

The abutments and spillway were built using timber from the Watson Lake mill and were filled by locally-obtained rock. Although the principal contractor was Alberta's Volker Stevin, a prominent subcontractor was the Yukon firm of Klippert's Transfer. Most of the people working on the project were Yukoners.

Due to the closure of United Keno Hill Mines, there is now surplus power available from the Mayo installations. In response to this, YEC has begun evaluating the feasibility of inter-ties. An inter-tie is a transmission line that connects electrical supply with demand. In the coming years the power generated at Mayo can be put to use serving needs elsewhere in the territory.

WHITEHORSE

A new fire suppression system was installed in the Whitehorse Rapids plant. The system will work even during power failures and will substantially reduce insurance costs.

The year also saw the start of engineering for a new Supervisory Control and Data Acquisition (SCADA) system, enabling system operators to remotely monitor and control generation capacity on the main grid. The term main grid refers to the Whitehorse-Aishihik-Faro — or WAF — system. The SCADA system will provide for central control of all generating facilities, both hydro and diesel, and will permit automatic record-keeping. The new system will likely be commissioned during 1990 and will be able to accommodate growth for a number of years.

GENERAL

A great deal of work was done this year to improve power systems generally. This work ranged from environmental and safety projects to equipment upgrading.

Environmental initiatives included removing PCB-contaminated equipment and relocating it to a secure and approved storage site, pending safe disposal. Removal of asbestos from the Whitehorse diesel plant also helped to improve worker safety.

A number of projects were undertaken to bring YEC systems and facilities up to current standards, including the erection of substantial fences around facilities and installation of signs to alert the public to potential hazards.

The biggest single project was a dam and canal monitoring system. Equipment has been installed in all dams and canals to provide early warning of any potential problems.

As part of ongoing maintenance, YEC removes brush from under power lines. The value of such good housekeeping was demonstrated last summer when a forest fire passed under a power line in an area east of Carmacks without doing any damage to the electrical transmission line.

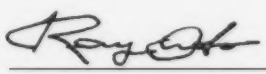
LEFT: Yukon Energy Corporation's facility at the Whitehorse Rapids provides more than 80 percent of the territory's electricity. BOTTOM: Hydro-electric power is a clean and renewable source of energy.

Auditor's Report

To the Board of Directors and the Executive Council Member
Responsible for the Yukon Energy Corporation

I have examined the balance sheet of the Yukon Energy Corporation as at December 31, 1989 and the statements of income, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.



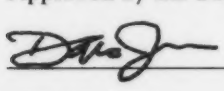
Raymond Dubois, F.C.A.
Deputy Auditor General for
the Auditor General of Canada

Ottawa, Canada
February 23, 1990

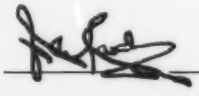
BALANCE SHEET: As at December 31, 1989

	1989	1988
	(Thousands of dollars)	
ASSETS		
Fixed Assets		
Property, plant and equipment (Note 3)	$ 96,749	93,207
Current Assets		
Cash and short-term investments	3,164	2,941
Accounts receivable	2,014	2,916
Inventories	653	571
Prepaid expenses	92	280
Due from Yukon Development Corporation (Note 4)	261	—
	6,184	6,708
Deferred costs	29	143
	$ 102,962	100,058
LIABILITIES		
Long-term debt (Note 5)		
Government of Canada	$ 51,050	52,450
Yukon Development Corporation	5,500	—
	56,550	52,450
Current Liabilities		
Accounts payable (Note 7 and 9)	2,076	495
Interest payable	1,065	1,047
Due to Yukon Development Corporation	—	193
Current portion of long-term debt (Note 5a)	1,400	1,400
	4,541	3,135
	61,091	55,585
SHAREHOLDER'S EQUITY		
Share capital (Note 6)	39,000	39,000
Contingency reserve	2,250	2,250
Retained earnings	621	3,223
	41,871	44,473
	$ 102,962	100,058

Approved by the Board:



Chairperson



Director

STATEMENT OF INCOME: Year ended December 31, 1989

	1989	1988
	(thousands of dollars)	
Revenue		
Sale of Power (Note 9)	$ 18,675	22,193
Other	81	110
	18,756	22,303
Expenses		
Operation and maintenance	4,992	5,106
Depreciation	2,136	2,024
Administration	1,386	1,537
Management Fee	674	659
Amortization of deferred costs	114	114
Board Expenses	24	8
	9,326	9,448
Operating income	9,430	12,855
Financial expense (income)		
Interest expense	4,545	4,153
Interest income	(599)	(907)
Loss (gain) on sale of fixed assets	(19)	14
	3,927	3,260
Net income	$ 5,503	9,595

STATEMENT OF RETAINED EARNINGS: Year ended December 31, 1989

	1989	1988
	(thousands of dollars)	
Balance at beginning of year	$ 3,223	3,585
Add: Net income	5,503	9,595
	8,726	13,180
Deduct:		
Power rate relief subsidy payments (Note 2f)	482	1,342
Dividends	7,623	8,615
	8,105	9,957
Balance at end of year	$ 621	3,223

STATEMENT OF CHANGES IN FINANCIAL POSITION: Year ended December 31, 1989

	1989	1988
	(thousands of dollars)	
Cash provided from operating activities		
Net income	$ 5,503	9,595
Items not requiring an outlay of cash		
Depreciation	2,136	2,025
Amortization of deferred costs	114	114
Loss (gain) on disposal of fixed assets	(19)	14
Change in non-cash components of working capital	2,153	(1,648)
	9,887	10,100
Cash required for investing activities		
Addition to fixed assets	6,461	1,857
Proceeds from disposal of fixed assets	(802)	(12)
Repayment from Yukon Development Corp.	—	(1,098)
	5,659	747
Cash provided from (used in) financing activities		
Issue of long-term debt	5,500	—
Repayment of long-term debt	(1,400)	(1,400)
Power rate relief subsidy payments	(482)	(1,342)
Dividends paid	(7,623)	(8,615)
	(4,005)	(11,357)
Increase (decrease) during the year	223	(2,004)
Cash and short-term investments		
Beginning of the year	2,941	4,945
End of the year	$ 3,164	2,941

NOTES TO THE FINANCIAL STATEMENTS: December 31, 1989

1. Authority, objectives and operations

The Corporation was established under the Yukon Business Corporations Act in March 1987 and is a wholly owned subsidiary of the Yukon Development Corporation, a Crown corporation. The Yukon Energy Corporation was granted a public utility franchise and was formed to acquire and operate the assets of the Northern Canada Power Commission in the Yukon, which were acquired on March 31, 1987. The Corporation entered into a management agreement with The Yukon Electrical Company Limited and its parent, Canadian Utilities Limited, for the operation of these facilities.

The Corporation is engaged in the generation, transmission, distribution and sale of electric energy in the Yukon Territory and is regulated by the Yukon Utilities Board, which administers acts and regulations covering such matters as rates and accounting.

Under the terms of the management agreement, Canadian Utilities Limited has to account to the Corporation, on a monthly basis, for the income from the sale of electricity and the expenses incurred in operating, maintaining and managing the system. The income from sale of power and the related operation, maintenance and administration expenses included in the statement of income reflect this accounting from Canadian Utilities Limited.

2. Summary of significant accounting policies

The more significant accounting policies of the Corporation are as follows:

a: Inventories

Inventories are valued at lower of cost and replacement value.

b: Fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation. Provisions for depreciation are based on the straight line method over the estimated economic life, which for the principal classes of assets are:

Generation	
Hydro-electric plants	40-65 years
Diesel plants	20-25 years
Transmission	25-35 years
Distribution	20-30 years
Buildings	20-30 years
Office and general equipment	5-15 years

c: Revenue recognition

Revenue from sale of power is accrued in respect of electricity delivered but as yet unbilled. Significant additional revenues or refunds resulting from Yukon Utilities Board decisions are recorded in the year to which they relate.

d: Deferred costs

Legal and professional fees related to the acquisition and evaluation of assets of Northern Canada Power Commission are being amortized over three years from the date they were incurred.

e: Contingency reserve

The Corporation maintains a reserve for uninsured losses and additional costs from low water levels or shutdowns. Appropriations to or withdrawals from this reserve are reflected in the statement of income after determination of net income.

f: Power rate relief subsidy payments

In accordance with the Yukon Development Corporation Regulations, the Yukon Energy Corporation undertook to administer, on behalf of the Government of the Yukon, a power rate relief program for the benefit of residential and commercial power consumers in the Yukon equivalent to the Federal Power Support and Commercial Rate Relief programs previously financed by the Government of Canada. The cost of the subsidy programs is treated as a return of equity in accordance with the regulations and are charged against retained earnings.

Effective April 1, 1989, both subsidy programs were discontinued, as the revised rate structure now in effect accomplishes the same rate relief goals.

3. Property, plant and equipment

	1989	1988
	(thousands of dollars)	
Hydro-electric and diesel plants	$ 90,203	84,696
Transmission	7,102	7,031
Distribution	2,798	2,322
Buildings, office and general equipment	1,814	1,752
Land	86	81
	102,003	95,882
Work in progress	366	913
	102,369	96,795
Accumulated depreciation	5,620	3,588
	$ 96,749	93,207

4. Due from Yukon Development Corporation

The advance to the parent corporation is interest free.

5. Long-term debt

a: Government of Canada

The following debt was part of the consideration given in 1987 to acquire the assets of the Northern Canada Power Commission.

	1989	1988
	(thousands of dollars)	
Flexible term note 7% maturing January 1, 2028	$ 38,250	39,250
Term note 9% maturing March 31, 1997	15,600	16,000
	53,850	55,250
Less payments made in the year	1,400	1,400
	52,450	53,850
Portion due within one year	1,400	1,400
	$ 51,050	52,450

Payments of principal under the terms of the $40 million flexible term note are annual installments of $1 million commencing December 31, 1988. The terms of the flexible term note also provide for payments of principal and interest to be deferred and abated respectively if sales of power on the Whitehorse-Aishihik-Faro electric power distribution system are less than specific amounts.

Payments of principal under the terms of the $16 million term note are nine annual installments of $400,000 that commenced March 31, 1988 with the balance due on March 31, 1997.

Canada has been provided with security for these debt obligations in the form of a mortgage against the acquired assets.

b: Yukon Development Corporation

The long-term debt of $5.5 million to Yukon Development Corporation was issued on July 31, 1989 and bears interest at 11 ⅜ %, which was the Corporation's estimate of its long-term borrowing rate at that time.

6. Share capital

Authorized share capital consists of an unlimited number of a single class of shares with no par value. Yukon Development Corporation purchased all of the 3,900 issued and outstanding shares for a total consideration of $39 million.

7. Rate Matters

In a final decision dated October 20, 1989, the Yukon Utilities Board set revenue requirements for 1989 and 1990. This decision resulted in a revenue refund of $447,000, which has been recorded in accounts payable.

During the year the Corporation effected periodic adjustments to take into account rate stability. Such adjustments in 1989 resulted in revenues in excess of requirements being refunded to customers by adjustment on subsequent utility billings. The balance of the excess which had not been refunded by year-end amounted to $1.03 million and this is also included in accounts payable.

8. Commitments

A management agreement for a term of five years was entered into on March 31, 1987 between Canadian Utilities Limited, The Yukon Electrical Company Limited and Yukon Energy Corporation for The Yukon Electrical Company Limited to operate the purchased assets. The agreement provides for a fee of $648,000 per year, adjusted annually by 80 percent of the percentage change in the consumer price index. The amount paid in 1989 was $674,000 (1988 – $659,000).

The estimated cost of completion for the capital projects approved and carried over into the next fiscal year is $2,245,000 (1988 – $6,681,000). At December 31, 1989 the Corporation had $739,000 (1988 – $2,926,000) in outstanding contractual obligations on capital projects.

9. Related parties

In addition to the transactions described in Notes 4, 5, 6 and 8, the Corporation has significant transactions with The Yukon Electrical Company Limited. These transactions and resulting balances comprise:

	1989	1988
	(thousands of dollars)	
Sale of power	$ 9,352	$ 10,692
Accounts payable	1,775	257
Accounts receivable	1,984	2,610

The company also sells power to, and purchases services from, its parent company, Yukon Development Corporation. Sales of $46,000 (1988 – $327,000) and purchases of $115,000 (1988 – $810,000) were made during the year. These transactions are considered to be in the normal course of business and at fair market value.

10. Contingent liability

One of the Corporation's major customers has filed a statement of claim with the Yukon Supreme Court claiming that the Corporation over-charged for power from the period January 1987 to November 1987. The Corporation has filed a statement of defense. The amount of the liability, if any, cannot be reasonably estimated at this time nor can the likelihood of the loss occurring be determined. Consequently, no amount has been accrued in these financial statements. Should a loss occur it will be accounted for as a prior period adjustment.

11. Trust Funds

The Corporation holds in trust amounts to be refunded to residential consumers in respect of Federal and Territorial Income Tax paid by the The Yukon Electrical Company Limited and subsequently rebated. Interest earned on the fund will also be refunded to consumers.

	(thousands of dollars)
Funds received during the year	$ 963
Interest earned	55
Paid out	(525)
Funds held at the end of year	$ 493

These amounts are not reflected in the financial statements.

Design and layout by Patricia Holladay Graphic Design,
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Directors and Staff: as at December 31, 1989

BOARD OF DIRECTORS

Chairperson	Dave Joe
Vice-chairperson	Linda Johnson
Directors	Tim Koepke Al Kapty Fred Berger Charles Sanderson Joan McCurry Jim Holt

OFFICERS

President	Alex Raider
Corporate Secretary	Eric J. Woodhouse
Corporate Treasurer	Michael D. Sweatman, C.A.
Senior Utility Engineer	John F. Maissan, P.Eng.
Administrative Officer	Valerie Williamson

AUDIT COMMITTEE

Chairperson	Linda Johnson
Members	Tim Koepke Charles Sanderson Michael Sweatman (ex officio)

AUDITORS

Auditor General of Canada

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